UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) **November 23, 2021**

NORDSTROM, INC.

(Exact name of registrant as specified in its charter)

Washington	**001-15059**	**91-0515058**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1617 Sixth Avenue, Seattle, Washington 98101
(Address of principal executive offices)

Registrant's telephone number, including area code **(206) 628-2111**

Inapplicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, without par value	JWN	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

ITEM 2.02 Results of Operations and Financial Condition

On November 23, 2021, Nordstrom, Inc. issued an earnings release announcing its results of operations for the quarter and nine months ended October 30, 2021, its financial position as of October 30, 2021, and its cash flows for the nine months ended October 30, 2021 ("Third Quarter Results"). A copy of this earnings release is furnished as Exhibit 99.1.

ITEM 7.01 Regulation FD Disclosure

On November 23, 2021, Nordstrom, Inc. issued an earnings release announcing its Third Quarter Results. A copy of this earnings release is furnished as Exhibit 99.1.

In addition, furnished hereby and incorporated by reference herein is the earnings call commentary on its Third Quarter Results and 2021 financial outlook, as posted on the Company's investor relations website, investor.nordstrom.com, on November 23, 2021. A copy of this earnings call commentary is furnished as Exhibit 99.2.

The information furnished in this Item 7.01 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, regardless of any general incorporation language in such filing, except as shall be expressly set forth by a specific reference in such filing.

ITEM 9.01 Financial Statements and Exhibits

99.1	Nordstrom earnings release dated November 23, 2021 relating to the Company's Third Quarter Results
99.2	Nordstrom earnings call commentary relating to the Company's Third Quarter Results and 2021 financial outlook
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NORDSTROM, INC.
(Registrant)

/s/ Ann Munson Steines
Ann Munson Steines
Executive Vice President,
General Counsel and Corporate Secretary

Date: November 23, 2021

Exhibit 99.1

NORDSTROM

Nordstrom Reports Third Quarter 2021 Earnings

- *Double-digit online sales growth over the third quarter of 2019 along with improving store traffic trends*
- *Nordstrom banner sales return to 2019 levels*
- *Company remains on pace to achieve fiscal 2021 sales, earnings and cash flow outlook*

SEATTLE – November 23, 2021 – Nordstrom, Inc. (NYSE: JWN) today reported third quarter net earnings of $64 million or $0.39 per diluted share, with earnings before interest and taxes ("EBIT") of $127 million.

For the third quarter ended October 30, 2021, net sales increased 18 percent versus the same period in fiscal 2020 and decreased 1 percent versus the same period in fiscal 2019. The timing of this year's Anniversary Sale, with approximately one week falling into the third quarter of 2021, had a positive impact of approximately 200 basis points on net sales compared with fiscal 2019.

During the quarter, Nordstrom banner net sales increased 3 percent versus the third quarter of fiscal 2019, which included an approximately 300 basis point positive impact from Anniversary Sale timing, while net sales for Nordstrom Rack decreased 8 percent versus the third quarter of fiscal 2019. Sales in the home, active, designer and beauty categories had the strongest growth compared with the third quarter of 2019. Geographically, Nordstrom comparable store sales in the Southern regions, including Southern California, grew 8 percent versus 2019 and outperformed the Northern regions. Comparable sales in suburban area stores continued to be stronger than urban stores in the third quarter, with both improving sequentially over the second quarter.

"We have long benefited from a commitment to customer service, new and compelling merchandise, innovative brand partnerships and interconnected digital and physical assets. However, we need to move faster to capitalize on these strengths and profitably grow market share. We're taking action to improve performance at Nordstrom Rack, including optimizing inventory levels, better balancing price points and increasing brand awareness. Work is also underway to improve merchandise margin across the Company and ensure we have the visibility and flexibility we need to serve our customers seamlessly, despite global supply chain challenges," said Erik Nordstrom, chief executive officer of Nordstrom, Inc. "In the third quarter, we made continued progress toward our strategic and financial goals, driven by strong digital growth, the integrated capabilities enabled by our Market Strategy and increased net sales in our Nordstrom banner stores, but we are focused on accelerating our transformation and improving results."

Nordstrom continues to expand customer choice counts as part of its evolving merchandising strategy. Alternative partnership models beyond traditional wholesale arrangements grew to nearly 8 percent as a share of total sales, and the Company's recently announced partnerships with Fanatics and ASOS will provide a broader assortment in new and existing categories for customers, without a corresponding increase in owned inventory for the Company.

"Taking lessons learned from this year's Anniversary Sale, the team has combined the art of merchandising with data-driven insights to put the right assortment in the right place at the right time," said Pete Nordstrom, president and chief brand officer of Nordstrom, Inc. "For the holiday season, we are excited about our plans to use our integrated network of stores and digital platforms to showcase holiday dressing, decor and gift offerings, and provide festive experiences and convenient services that make shopping easy and enjoyable for our customers."

As Nordstrom continues to strengthen its financial position, the Company remains on track to reduce its leverage ratio to approximately three times, and be in a position to return cash to shareholders, by the end of 2021.

THIRD QUARTER 2021 SUMMARY

- Total Company net sales increased 18 percent compared with the same period in fiscal 2020, during which the entire Anniversary Sale temporarily shifted to the third quarter. Net sales decreased 1 percent relative to the same period in fiscal 2019. The timing of this year's Anniversary Sale, with approximately one week falling into the third quarter of 2021, had a positive impact on net sales of approximately 200 basis points compared with the third quarter of 2019.
- For the Nordstrom banner, net sales increased 11 percent and 3 percent compared with the same periods in fiscal 2020 and fiscal 2019, respectively. The timing of this year's Anniversary Sale had a positive impact on Nordstrom banner net sales of approximately 300 basis points compared with the third quarter of 2019. For the Nordstrom Rack banner, net sales increased 35 percent and decreased 8 percent compared with the same periods in fiscal 2020 and fiscal 2019, respectively.

- Digital sales decreased 12 percent compared with the same period in fiscal 2020, during which the Anniversary Sale temporarily shifted to the third quarter of that year, and increased 20 percent compared with the same period in fiscal 2019. The timing of this year's Anniversary Sale had a positive impact on Company digital sales of approximately 400 basis points compared with the third quarter of 2019. Digital sales represented 40 percent of total sales during the quarter.
- Gross profit, as a percentage of net sales, of 35 percent increased 230 basis points compared with the same period in fiscal 2020 primarily due to fewer markdowns and leverage from higher net sales. Gross profit, as a percentage of net sales, increased 80 basis points compared with the same period in fiscal 2019, driven by increased leverage on lower buying and occupancy costs as well as higher merchandise margins.
- Ending inventory increased 13 percent compared with the same period in fiscal 2019, versus a 1 percent decrease in sales. The change in inventory levels versus 2019 was due to the Company's actions to pull forward receipts to support early holiday sales and mitigate continuing supply chain backlogs.
- Selling, general and administrative ("SG&A") expenses, as a percentage of net sales, of 34 percent increased 230 basis points compared with the same period in fiscal 2020 primarily as a result of labor cost pressure, partially offset by leverage on higher sales. SG&A expenses, as a percentage of net sales, increased 260 basis points compared with the same period in fiscal 2019 as a result of fulfillment and labor cost pressures, partially offset by continued benefit from resetting the cost structure in 2020.
- EBIT was $127 million in the third quarter of 2021, compared with $106 million during the same period in fiscal 2020 primarily due to higher sales volume and improved merchandise margins, partially offset by labor cost pressure. EBIT was $66 million lower than the third quarter of fiscal 2019 due to fulfillment and labor cost pressures, partially offset by continued benefit from resetting the cost structure in 2020.
- Interest expense, net, of $36 million decreased from $48 million during the same period in fiscal 2020 as a result of the redemptions of the 8.75% secured notes during the first quarter of fiscal 2021 and the 4.0% unsecured notes during the second quarter of fiscal 2021.
- Income tax expense was $27 million, or 30 percent of pretax earnings, compared with $5 million, or 8 percent of pretax earnings, in the same period in fiscal 2020. Last year's income tax included benefits associated with the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act").
- Third quarter net income of $64 million increased from net income of $53 million during the same period in fiscal 2020, which included a tax benefit associated with the CARES Act of $19 million.
- The Company ended the third quarter with $867 million in available liquidity, including $267 million in cash.

FISCAL YEAR 2021 OUTLOOK

The Company is reaffirming the following financial expectations for fiscal 2021:

- Revenue, including retail sales and credit card revenues, is expected to grow more than 35 percent versus fiscal 2020
- EBIT margin is expected to be approximately 3.0 to 3.5 percent of sales
- Income tax rate is expected to be approximately 27 percent
- Leverage ratio is expected to be approximately 3x by year-end

CONFERENCE CALL INFORMATION

The Company's senior management will host a conference call to provide a business update and to discuss third quarter 2021 financial results and fiscal 2021 outlook at 4:45 p.m. Eastern Standard Time today. To listen to the live call online and view the speakers' prepared remarks and the conference call slides, visit the Investor Relations section of the Company's corporate website at investor.nordstrom.com. An archived webcast with the speakers' prepared remarks and the conference call slides will be available in the Quarterly Results section for one year. Interested parties may also dial 201-689-8354. A telephone replay will be available beginning approximately three hours after the conclusion of the call by dialing 877-660-6853 or 201-612-7415 and entering Conference ID 13724527, until the close of business on November 30, 2021.

ABOUT NORDSTROM

At Nordstrom, Inc. (NYSE: JWN), we exist to help our customers feel good and look their best. Since starting as a shoe store in 1901, how to best serve customers has been at the center of every decision we make. This heritage of service is the foundation we're building on as we provide convenience and true connection for our customers. Our digital-first platform enables us to serve customers when, where and how they want to shop – whether that's in-store at more than 350 Nordstrom, Nordstrom Local and Nordstrom Rack locations or digitally through our Nordstrom and Rack apps and websites. Through it all, we remain committed to leaving the world better than we found it.

Certain statements in this press release contain or may suggest "forward-looking" information (as defined in the Private Securities Litigation Reform Act of 1995) that involves risks and uncertainties that could cause results to be materially different from expectations. The words "will," "may," "designed to," "outlook," "believes," "should," "targets," "anticipates," "assumptions," "plans," "expects" or "expectations," "intends," "estimates," "forecasts," "guidance" and similar expressions identify certain of these forward-looking statements. The Company also may provide forward-looking statements in oral statements or other written materials released to the public. All statements contained or incorporated in this press release or in any other public statements that address such future events or expectations are forward-looking statements. Important factors that could cause actual results to differ materially from these forward-looking statements are detailed in the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2021 and its Form 10-Qs for the fiscal quarters ended May 1, 2021 and July 31, 2021. These forward-looking statements are not guarantees of future performance and speak only as of the date made, and, except as required by law, the Company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events, new information or future circumstances.

NORDSTROM, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
(unaudited; amounts in millions, except per share amounts)

	Quarter Ended		Nine Months Ended	
	October 30, 2021	**October 31, 2020**	**October 30, 2021**	**October 31, 2020**
Net sales	**$ 3,534**	$ 3,002	**$ 10,020**	$ 6,806
Credit card revenues, net	**103**	87	**283**	264
Total revenues	**3,637**	3,089	**10,303**	7,070
Cost of sales and related buying and occupancy costs	**(2,294)**	(2,019)	**(6,646)**	(5,235)
Selling, general and administrative expenses	**(1,216)**	(964)	**(3,464)**	(2,912)
Earnings (loss) before interest and income taxes[1]	**127**	106	**193**	(1,077)
Interest expense, net[2]	**(36)**	(48)	**(213)**	(133)
Earnings (loss) before income taxes	**91**	58	**(20)**	(1,210)
Income tax (expense) benefit	**(27)**	(5)	**(2)**	487
Net earnings (loss)[1,2]	**$ 64**	$ 53	**$ (22)**	$ (723)
Earnings (loss) per share:				
Basic	**$ 0.40**	$ 0.34	**$ (0.14)**	$ (4.60)
Diluted[1,2]	**$ 0.39**	$ 0.34	**$ (0.14)**	$ (4.60)
Weighted-average shares outstanding:				
Basic	**159.2**	157.5	**158.9**	157.0
Diluted	**162.5**	158.2	**158.9**	157.0
Percent of net sales:				
Gross profit	**35.1 %**	32.8 %	**33.7 %**	23.1 %
Selling, general and administrative expenses	**34.4 %**	32.1 %	**34.6 %**	42.8 %
Earnings (loss) before interest and income taxes	**3.6 %**	3.5 %	**1.9 %**	(15.8 %)

[1] In 2020, we incurred COVID-19 related charges, which reduced net earnings for the nine months ended October 31, 2020 by $166 or $1.06 per diluted share. These charges consisted primarily of asset impairments from store closures, premium pay and benefits, and restructuring charges, which were slightly offset by credits from the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). In the third quarter of 2020, the additional tax benefit associated with the estimated loss carryback under the CARES Act increased net earnings by $19 or $0.12 per diluted share.

[2] In the first quarter of 2021, we incurred charges related to our debt refinancing that increased interest expense by $88. Collectively, these charges reduced net earnings for the nine months ended October 30, 2021 by $64 or $0.41 per diluted share.

NORDSTROM, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited; amounts in millions)

	October 30, 2021	January 30, 2021	October 31, 2020
Assets			
Current assets:			
Cash and cash equivalents	**$ 267**	$ 681	$ 889
Accounts receivable, net	**273**	245	256
Merchandise inventories	**2,863**	1,863	1,860
Prepaid expenses and other	**374**	853	902
Total current assets	**3,777**	3,642	3,907
Land, property and equipment (net of accumulated depreciation of $7,617, $7,159 and $6,987)	**3,558**	3,732	3,770
Operating lease right-of-use assets	**1,527**	1,581	1,611
Goodwill	**249**	249	249
Other assets	**423**	334	274
Total assets	**$ 9,534**	$ 9,538	$ 9,811
Liabilities and Shareholders' Equity			
Current liabilities:			
Borrowings under revolving line of credit	**$ 200**	$ —	$ 200
Accounts payable	**2,310**	1,960	2,053
Accrued salaries, wages and related benefits	**276**	352	254
Current portion of operating lease liabilities	**240**	260	269
Other current liabilities	**1,063**	1,048	1,119
Current portion of long-term debt	**—**	500	499
Total current liabilities	**4,089**	4,120	4,394
Long-term debt, net	**2,851**	2,769	2,767
Non-current operating lease liabilities	**1,602**	1,687	1,726
Other liabilities	**633**	657	672
Commitments and contingencies			
Shareholders' equity:			
Common stock, no par value: 1,000 shares authorized; 159.3, 157.8 and 157.7 shares issued and outstanding	**3,269**	3,205	3,190
Accumulated deficit	**(2,852)**	(2,830)	(2,863)
Accumulated other comprehensive loss	**(58)**	(70)	(75)
Total shareholders' equity	**359**	305	252
Total liabilities and shareholders' equity	**$ 9,534**	$ 9,538	$ 9,811

NORDSTROM, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited; amounts in millions)

	Nine Months Ended	
	October 30, 2021	**October 31, 2020**
Operating Activities		
Net loss	**$ (22)**	$ (723)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization expenses	**477**	505
Asset impairment	**—**	137
Right-of-use asset amortization	**130**	126
Deferred income taxes, net	**25**	39
Stock-based compensation expense	**64**	50
Other, net	**81**	13
Change in operating assets and liabilities:		
Accounts receivable	**(27)**	(57)
Merchandise inventories	**(687)**	175
Prepaid expenses and other assets	**408**	(641)
Accounts payable	**90**	409
Accrued salaries, wages and related benefits	**(76)**	(254)
Other current liabilities	**15**	(72)
Lease liabilities	**(218)**	(163)
Other liabilities	**17**	20
Net cash provided by (used in) operating activities	**277**	(436)
Investing Activities		
Capital expenditures	**(361)**	(311)
Other, net	**(17)**	20
Net cash used in investing activities	**(378)**	(291)
Financing Activities		
Proceeds from revolving line of credit	**400**	800
Payments on revolving line of credit	**(200)**	(600)
Proceeds from long-term borrowings	**675**	600
Principal payments on long-term borrowings	**(1,100)**	—
(Decrease) increase in cash book overdrafts	**(4)**	39
Cash dividends paid	**—**	(58)
Proceeds from issuances under stock compensation plans	**14**	16
Tax withholding on share-based awards	**(15)**	(8)
Make-whole premium payment and other, net	**(85)**	(16)
Net cash (used in) provided by financing activities	**(315)**	773
Effect of exchange rate changes on cash and cash equivalents	**2**	(10)
Net (decrease) increase in cash and cash equivalents	**(414)**	36
Cash and cash equivalents at beginning of period	**681**	853
Cash and cash equivalents at end of period	**$ 267**	$ 889

NORDSTROM, INC.
SUMMARY OF NET SALES
(unaudited; amounts in millions)

Our Nordstrom brand includes Nordstrom.com, TrunkClub.com, Nordstrom-branded U.S. stores, Canada, which includes Nordstrom.ca, Nordstrom Canadian stores and Nordstrom Rack Canadian stores, and Nordstrom Local. Our Nordstrom Rack brand includes NordstromRack.com, Nordstrom Rack-branded U.S. stores, Last Chance clearance stores and, prior to the first quarter of 2021, HauteLook.com. The following table summarizes net sales for the quarter and nine months ended October 30, 2021, compared with the quarter and nine months ended October 31, 2020:

	Quarter Ended		Nine Months Ended	
	October 30, 2021	**October 31, 2020**	**October 30, 2021**	**October 31, 2020**
Net sales:				
Nordstrom	**$ 2,343**	$ 2,120	**$ 6,614**	$ 4,543
Nordstrom Rack	**1,191**	882	**3,406**	2,263
Total net sales	**$ 3,534**	$ 3,002	**$ 10,020**	$ 6,806
Net sales increase (decrease):				
Nordstrom	**10.5 %**	(6.6 %)	**45.6 %**	(34.4 %)
Nordstrom Rack	**35.2 %**	(32.0 %)	**50.6 %**	(39.9 %)
Total Company	**17.7 %**	(15.8 %)	**47.2 %**	(36.4 %)
Digital sales as % of total net sales[1]	**40 %**	54 %	**42 %**	56 %

[1] Sales conducted through a digital platform such as our websites or mobile apps. Digital sales may be self-guided by the customer, as in a traditional online order, or facilitated by a salesperson using a virtual styling or selling tool, such as Nordstrom Trunk Club or Style Board. Digital sales may be delivered to the customer or picked up in our Nordstrom stores, Nordstrom Rack stores or Nordstrom Local service hubs. Digital sales also include a reserve for estimated returns.

NORDSTROM, INC.
ADJUSTED RETURN ON INVESTED CAPITAL ("ADJUSTED ROIC")
(NON-GAAP FINANCIAL MEASURE)
(unaudited; dollar amounts in millions)

We believe that Adjusted ROIC is a useful financial measure for investors in evaluating the efficiency and effectiveness of the capital we have invested in our business to generate returns over time. In addition, we have incorporated it in our executive incentive measures and we believe it is an important indicator of shareholders' return over the long term.

Adjusted ROIC is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for, return on assets, net earnings, total assets or other GAAP financial measures. Our method of calculating non-GAAP financial measures may differ from other companies' methods and therefore may not be comparable to those used by other companies. The financial measure calculated under GAAP which is most directly comparable to Adjusted ROIC is return on assets. The following is a reconciliation of return on assets to Adjusted ROIC:

	Four Quarters Ended	
	October 30, 2021	**October 31, 2020**
Net earnings (loss)	**$ 11**	$ (530)
Less: income tax benefit	**(49)**	(417)
Add: interest expense	**262**	176
Earnings (loss) before interest and income tax expense	**224**	(771)
Add: operating lease interest[1]	**89**	97
Adjusted net operating income (loss)	**313**	(674)
(Less) Add: estimated income tax (benefit) expense	**(406)**	297
Adjusted net operating loss after tax	**$ (93)**	$ (377)
Average total assets	**$ 9,489**	$ 9,825
Less: average deferred property incentives in excess of operating lease right-of-use (ROU) assets[2]	**(243)**	(287)
Less: average non-interest bearing current liabilities	**(3,423)**	(3,215)
Average invested capital	**$ 5,823**	$ 6,323
Return on assets[3]	**0.1 %**	(5.4 %)
Adjusted ROIC[3]	**(1.6 %)**	(6.0 %)

[1] We add back the operating lease interest to reflect how we manage our business. Operating lease interest is a component of operating lease cost recorded in occupancy costs.

[2] For leases with property incentives that exceed the ROU assets, we reclassify the amount from assets to other current liabilities and other liabilities and reduce average total assets, as this better reflects how we manage our business.

[3] COVID-19 related charges for the four quarters ended October 31, 2020 negatively impacted return on assets by approximately 170 basis points and Adjusted ROIC by approximately 270 basis points.

NORDSTROM, INC.
ADJUSTED DEBT TO EBITDAR (NON-GAAP FINANCIAL MEASURE)
(unaudited; dollar amounts in millions)

Adjusted Debt to earnings (loss) before interest, income taxes, depreciation, amortization and rent (“EBITDAR”) is one of our key financial metrics and we believe that our debt levels are best analyzed using this measure, as it provides a reflection of our creditworthiness that could impact our credit rating and borrowing costs. This metric is calculated in accordance with our Revolver covenant and is a key component in assessing whether our revolving credit facility is secured or unsecured, as well as our ability to make dividend payments and share repurchases. Our goal is to manage debt levels to maintain an investment-grade credit rating while operating with an efficient capital structure.

Adjusted Debt to EBITDAR is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for, debt to net earnings, net earnings, debt or other GAAP financial measures. Our method of determining non-GAAP financial measures may differ from other companies’ methods and therefore may not be comparable to those used by other companies. The following is a reconciliation of debt to net earnings to Adjusted Debt to EBITDAR:

		October 30, 2021
Debt	**$**	**3,051**
Add: estimated capitalized operating lease liability[1]		**1,374**
Adjusted Debt	**$**	**4,425**

		Four Quarters Ended October 30, 2021
Net earnings	**$**	**11**
Less: income tax benefit		**(49)**
Add: interest expense, net		**261**
Adjusted earnings before interest and income taxes	**$**	**223**
Add: depreciation and amortization expenses		**643**
Add: rent expense, net[2]		**229**
Add: other Revolver covenant adjustments[3]		**1**
Adjusted EBITDAR	**$**	**1,096**
Debt to Net Earnings		**271.0**
Adjusted Debt to EBITDAR		**4.04**

[1] Based upon the estimated lease liability as of the end of the period, calculated as the trailing four quarters of rent expense multiplied by six, a method of estimating the debt we would record for our leases that are classified as operating if they had met the criteria for a capital lease or we had purchased the property and is calculated under the previous lease standard (ASC 840), consistent with our Revolver covenant calculation requirements. The estimated lease liability is not calculated in accordance with, nor an alternative for, GAAP and should not be considered in isolation or as a substitution for our results reported under GAAP.

[2] Rent expense, net of amortization of developer reimbursements, is added back for consistency with our Revolver covenant calculation requirements, and is calculated under the previous lease standard (ASC 840).

[3] Other adjusting items to reconcile net earnings to Adjusted EBITDAR as defined by our Revolver covenant include interest income and certain non-cash charges where relevant.

NORDSTROM, INC.

FREE CASH FLOW (NON-GAAP FINANCIAL MEASURE)

(unaudited; amounts in millions)

Free Cash Flow is one of our key liquidity measures and, when used in conjunction with GAAP measures, we believe it provides investors with a meaningful analysis of our ability to generate cash from our business.

Free Cash Flow is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for, operating cash flows or other financial measures prepared in accordance with GAAP. Our method of calculating non-GAAP financial measures may differ from other companies' methods and therefore may not be comparable to those used by other companies. The financial measure calculated under GAAP which is most directly comparable to Free Cash Flow is net cash provided by (used in) operating activities. The following is a reconciliation of net cash provided by (used in) operating activities to Free Cash Flow:

	Nine Months Ended	
	October 30, 2021	**October 31, 2020**
Net cash provided by (used in) operating activities	**$ 277**	$ (436)
Less: capital expenditures	**(361)**	(311)
(Less) Add: change in cash book overdrafts	**(4)**	39
Free Cash Flow	**$ (88)**	$ (708)

NORDSTROM, INC.

ADJUSTED EBITDA (NON-GAAP FINANCIAL MEASURE)

(unaudited; amounts in millions)

Adjusted earnings (loss) before interest, income taxes, depreciation and amortization (“EBITDA”) is one of our key financial metrics to reflect our view of cash flow from net earnings. Adjusted EBITDA excludes significant items which are non-operating in nature in order to evaluate our core operating performance against prior periods. The financial measure calculated under GAAP which is most directly comparable to Adjusted EBITDA is net earnings.

Adjusted EBITDA is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for net earnings, overall change in cash or liquidity of the business as a whole. Our method of calculating a non-GAAP financial measure may differ from other companies' methods and therefore may not be comparable to those used by other companies. The following is a reconciliation of net loss to Adjusted EBITDA:

	Nine Months Ended	
	October 30, 2021	**October 31, 2020**
Net loss	**$ (22)**	$ (723)
Add (Less): income tax expense (benefit)	**2**	(487)
Add: interest expense, net	**213**	133
Earnings (loss) before interest and income taxes	**193**	(1,077)
Add: depreciation and amortization expenses	**477**	505
Less: amortization of developer reimbursements	**(59)**	(65)
Add: asset impairments	**—**	137
Adjusted EBITDA	**$ 611**	$ (500)

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Q3 2021 NORDSTROM EARNINGS CALL — PREPARED REMARKS

ERIK NORDSTROM | CHIEF EXECUTIVE OFFICER

Good afternoon and thank you for joining us.

We have long benefitted from a commitment to customer service, interconnected digital and physical assets, and innovative brand partnerships. However, we need to move faster and more aggressively to better capitalize on those strengths. While our quarterly results were in line with our stated plans and we are on track to deliver on the financial commitments we made at our investor day in February, when we look across the landscape, we need to deliver more. We need to grow market share and deliver greater profitability … and we are acting with a sense of urgency to do so.

We've taken a comprehensive look at opportunities to improve our business, engaging external consultants with function-specific expertise across three key areas: improving Nordstrom Rack performance, increasing profitability, and optimizing our supply chain and inventory flow.

1. We are not satisfied at all with our Rack business as clearly our recovery is lagging what we think it should be. However, we are encouraged with the clear path to improvement that we see in front of us and have identified clear actions we are taking to improve performance and accelerate profitable growth. First, Nordstrom Rack has been challenged by low inventory levels in premium brands and key categories such as Women's Apparel and Shoes. Customers are drawn to Nordstrom Rack to purchase premium brands at a terrific price. In fact, 90 percent of the top brands at Nordstrom are also sold at the Rack. These brands are more highly penetrated in our Rack business than they are at other off price retailers. While many retailers are dealing with macro-related supply chain disruptions, Rack faces a unique challenge as off-price procurement of the same top brands we carry at Nordstrom is particularly difficult in an environment with production constraints and lower levels of clearance product. Rack's top 50 brands represented approximately 50 percent of sales in 2019. Year to date, these brands represented only 42 percent of sales, highlighting the outsized gap in merchandise availability. In response,

we are undertaking a comprehensive set of actions to increase our inventory levels and improve merchandise flow for the Rack. In particular:

- We are executing a multi layered plan to both grow our offer of the most coveted brands we carry, as well as source from new vendors to ensure we have the selection our customers want. To minimize supply gaps, we are increasing our opportunistic use of Pack and Hold inventory, allowing us to buy larger quantities of relevant items when available, then hold a portion of it to deploy in periods with high demand, tight supply, or system constraints. Given that we expect macro-related supply chain disruptions to continue into next year, we're strategically evaluating our assortment and increasing our use of Pack and Hold inventory by a factor of 2 to 3 times.
- We expect that action in these areas will not only yield benefits as we deal with macro-related supply chain disruptions, but also deliver sustainable benefits that will enhance our long-term performance as well. While we are in the early days of these efforts, preliminary results show sales responding positively in Rack stores with improving inventory positions.

2. Second, our mix has skewed too far to lower prices at the Rack, with AURs declining 4 percent versus 2019. This sharper than expected decline results from a couple of factors. First, customers come to the Rack for coveted premium brands at a great value. This is a strength of ours, as much of this product is scarce in the off price channel. However, we haven't had adequate supply of those brands, as I just described. Next, as we adjusted our assortment over the last year to add more product at lower price points, we found that we went too far in certain categories. We are now rebalancing our assortment to increase the breadth of selection in premium brands, improve average selling price, and better align with customer expectations.
3. Third, we are acting to strengthen Rack's brand awareness and drive traffic. As part of this effort, we launched a new "More Reasons to Rack" marketing campaign in September. We are encouraged by our early consumer research read, which showed a meaningful increase in future purchase intent.

By improving inventory levels, expanding our selection in top brands, and increasing awareness and traffic, we expect to grow market share and improve profitability at Nordstrom Rack. With the actions we're taking, we anticipate improvement in Q4, with more significant improvement to follow in the first half of fiscal 2022.

Turning to profitability, we are committed to delivering significant improvement in merchandise margins and EBIT margin across the business. We launched a comprehensive study of the factors driving our merchandise margin and found meaningful opportunities for improvement in pricing, category management, and private label brands. Pete will take you through the detailed plans behind those workstreams in a moment.

Within SG&A, we remain focused on managing fixed expenses. In 2020, we rebased our overhead cost structure and we remain committed to sustaining a substantial portion of that reduction. And while we've seen significant macro-related pressure in fulfillment and labor costs, we're concentrated on mitigating our overall impact from those pressures.

Improving our supply chain and inventory flow is also a priority. In response to macro-related supply chain challenges, we have identified various ways to improve our internal network and processes by diversifying our carrier capacity, gaining better end-to-end visibility of inventory as it moves through our supply chain, increasing velocity and throughput in our distribution and fulfillment centers, and better positioning our inventory to get it closer to the customer. We expect that these initiatives will enhance the customer experience and drive topline growth at both Nordstrom and Nordstrom Rack by increasing delivery speed and expanding the selection for in-store shopping as well as same day and next day pick up, while also driving efficiencies in labor and fulfillment. We expect to see benefits from these actions beginning in the first half of fiscal 2022.

Turning to third quarter performance, we continued to see improvement in our Nordstrom stores, strong digital growth, and benefits provided by the interconnected capabilities of our Market Strategy.

Nordstrom banner sales returned to 2019 levels in the third quarter. In the southern portion of the U.S. where 44 percent of our stores are located, Nordstrom comparable store sales grew 8 percent over the third quarter of 2019.

Our geographic footprint has been a source of strength for us historically, with stores located in highly desirable real estate in the country’s top markets. However, urban areas have been disproportionately impacted by the effects of the pandemic. As a result, our suburban Nordstrom locations outperformed our urban locations by 1,300 basis points in the third quarter.

As discussed at our investor event, winning in our most important markets and increasing our digital velocity are key strategic priorities for us, and we are making progress in these areas.

The convenience and connection delivered by our Market Strategy continues to be a powerful enabler for the business. We are leveraging a strong store fleet that positions us physically closer to the customer and drives value across the business. As a result, we are able to better serve customers and provide greater access to product by linking our assets at the market level.

Our Market Strategy delivers incredible convenience that provides customers with four times more product available for next day pick up, a one day reduction in average shipping time, and the ability to pick up orders at the Nordstrom, Nordstrom Local, or Nordstrom Rack location of their choice. This quarter, one-third of next day Nordstrom.com orders were picked up at Rack stores, showing continued evidence of the power of integrating capabilities across our two brands and across our digital and physical platforms. In our top 20 markets where our Market Strategy continues to gain traction, order pickup accounted for 12 percent of digital demand, versus 4 percent in other markets. Since we launched order pickup at the Rack last year, we have seen 70 percent growth in the program. As we head into the holiday season, we are encouraged to see steady increases in order pickup demand each month, which is evidence that customers are taking advantage of our integrated touchpoints. This trend is also advantageous because Buy Online Pickup In Store provides our highest satisfaction customer experience which, in turn, drives more return visits. It is also our most profitable customer journey.

The value of our interconnected model is evident as customers dramatically increase their spend when engaging across multiple channels, banners, and services. For example, the average customer that shops across both banners, in store and online, spends over 12 times more than a customer utilizing a single channel. The quality and convenience of the services we offer, such as alterations and personal styling, drive connection and engagement, increasing customer spend by a factor of 5 to 7 times versus customers who don’t utilize those value-added services.

We also continue to increase our digital velocity across Nordstrom and Nordstrom Rack. This quarter, digital sales increased 20 percent over the third quarter of 2019. Digital sales represented 40 percent of our business in Q3 and we continued to drive growth over 2019 while store traffic improved sequentially.

Before I turn the call over to Pete, we'd like to express our thanks to our exceptional team. Their dedication and efforts in serving our customers and transforming our company drive our optimism about the future of the business. Nordstrom has a strong foundation and unique competitive differentiators, and we are working diligently to accelerate our strategic transformation and build on our core advantages.

To be clear, we recognize the need to move faster and more aggressively. We are taking decisive steps to improve Rack performance, increase profitability, transform our supply chain, and create value for our shareholders. All said, we remain confident in our ability to achieve the top and bottom line commitments we set forth at our investor event and continue to build capabilities to profitably grow our market share.

With that, I'll turn it over to Pete.

PETE NORDSTROM | PRESIDENT AND CHIEF BRAND OFFICER

Thanks, Erik, and good afternoon everyone.

As Erik said, we've taken a deep look at our business and identified areas of improvement in pricing, category management, and private label brands that are expected to drive a better customer experience as well as sales and margin improvements. Through decades of experience, we've learned that when you make things better for the customer, you make things better for the business overall. I'd like to first discuss these specific areas of opportunity before getting into our category performance and customer trends in the third quarter, and finally, our plans for the fourth quarter.

First, we are using dynamic pricing analytics to optimize our promotional effectiveness and improve the pace and depth of markdowns to move product profitably at the end of each season. We expect to see initial benefits from this work beginning in Q4.

Next, we are working to improve our category management process. We are using a data-driven, customer-centric approach to define the role of each category at Nordstrom and Nordstrom Rack and then optimize our assortment for the role each category plays. We benefit by attracting new customers and expanding engagement and share of wallet with existing customers. We also gain efficiency by focusing on the most productive items, eliminating redundancy, and editing out our poor performers as a result.

As we shared during our investor event earlier this year, we also have a meaningful opportunity with our private label business, Nordstrom Product Group. We see the significant value that Nordstrom-made brands represent, delivering expanded options and better value for our customers, while also giving us more control over our merchandise selection. Notably, the gross margins of our private brands are, on average, 500 basis points higher than our third-party brand product. We recognize the opportunity and need to accelerate our efforts to increase our private label penetration. We look forward to sharing our progress with you in the coming quarters.

Turning to category performance … this quarter, we continued to see strength in pandemic related categories, particularly Home and Active, where our sales increased 95 and 57 percent, respectively, compared to 2019 levels.

Our Designer category continues to perform well, with a strong double digit sales increase over 2019, led by strength in Designer Shoes, Handbags, and Designer Men's Apparel.

We saw signs of travel returning with Sunglasses and Swimwear posting double digit increases over 2019. We are also encouraged with the sequential trend improvement in occasion-based categories during the third quarter, a promising signal that customers are beginning to return to social and work events. Dresses, Men's Suiting and Dress Shirts, Dress Shoes, and Makeup all showed sequential improvement during the third quarter and we are closing the gap to 2019 sales levels.

However, we experienced inventory shortages in the quarter, especially in certain core categories such as Women's Apparel and Shoes where demand came back stronger and faster than we expected. We responded by trying to increase supply as quickly as possible, but weren't able to land as much product as we needed in certain core categories, and missed an opportunity to capture incremental sales as a result. We are working to better align inventory levels and customer needs and have pulled inventory receipts forward in anticipation of holiday demand. We are confident that we are in a much improved position for the holiday season both in terms of quantity and balance of categories.

As we look at customer trends, our Nordy Club loyalty program remains a powerful engagement driver, and we are encouraged by positive trends within the program. Q3 loyalty sales grew 5 percent versus 2019 and loyalty penetration increased 2 percentage points to 65 percent of sales.

We also saw increases in spend and trips per customer compared to pre-pandemic levels.

As we look to Q4, we are excited about our plans to continue transforming the business.

We are scaling our Nordstrom Media Network, which allows our brand partners to advertise directly to customers on Nordstrom.com and NordstromRack.com and drive traffic and sales for their brands. Having successfully piloted the platform in Q3, we are expanding it in Q4, and expect to see a more meaningful financial benefit in 2022.

As we evolve our merchandising approach, our alternative partnership models have gained approximately 3 percentage points of total sales share since 2019, to nearly 8 percent today.

Building on that progress, I’m pleased to announce our new partnership with Fanatics. Nordstrom.com customers will now have access to Fanatics’ industry-leading assortment of high-quality licensed sports products. This partnership demonstrates our ability to increase choice count quickly and at scale. With Fanatics, we’ll scale to 90,000 new customer choices on Nordstrom.com, an increase of over 20 percent in our total choice count, without a corresponding increase in owned inventory or labor.

We’re also excited to advance our partnership with ASOS and offer a broader assortment to better meet the needs of twenty-something customers. We launched select ASOS brands on Nordstrom.com and in two pilot stores this month. Though we are in the early days, preliminary reads are very promising. We’ll expand our in-store ASOS offering with a market rollout launch this spring. Nordstrom stores will be the only physical locations in the world where customers can buy ASOS product and we are excited about our opportunities to build on this partnership.

As you heard at our investor event in February, we are expanding our choice count to both gain greater wallet share with our existing customers, and attract new customers. We entered Q4 with record high choice count, and we'll continue to significantly expand our selection using customer insights and enhanced analytics to present a curated, relevant assortment.

For the holiday season, we are excited about our plans to use our integrated network of stores and digital platforms to showcase holiday dressing, décor, and gift offerings, and provide festive experiences and convenient services that make shopping easy and enjoyable for our customers.

To drive holiday performance, we're leveraging analytics as well as learnings from our Anniversary Sale, where we combined the art of merchandising with data-driven insights to put the right assortment in the right place at the right time. Through our customer analytics work, we learned that we have a lot of opportunity to expand holiday gifting … and in response, we've significantly expanded our gifting assortment and featured gift shops both in-store and online.

In closing, we are excited to drive sales and delight customers with our compelling holiday offering … and the newness and choice count expansion from innovative partnerships with Fanatics and ASOS.

With that, I'll turn it over to Anne to discuss our financial results.

ANNE BRAMMAN | CHIEF FINANCIAL OFFICER

Thanks, Pete.

I'd like to begin with a review of our third quarter results, then take you through our approach to Q4. Overall, net sales decreased 1 percent in the quarter compared to the same period in fiscal 2019. The timing shift of the Anniversary Sale, with roughly one week falling into the third quarter of 2021, positively impacted third quarter sales by approximately 200 basis points.

Nordstrom banner sales returned to 2019 levels, driven by improving store trends, sequential store traffic improvement, and increasing spend per customer.

Nordstrom Rack sales declined 8 percent, as inventory procurement and flow challenges negatively impacted performance. And as Erik mentioned, the team is taking specific actions to improve Rack's performance and capture market share in the off-price sector.

On the digital front, we continue to serve our customers' desire for online shopping experiences, with strong digital growth even as Nordstrom store traffic and sales continue to recover. For the third quarter, digital sales increased 20 percent over 2019, and 16 percent after adjusting for the timing of the Anniversary Sale, reaching $1.4 billion.

Gross profit, as a percentage of net sales, increased 80 basis points compared with the same period in fiscal 2019, primarily due to leverage in buying and occupancy costs and higher merchandise margins.

Ending inventory increased 13 percent compared with the same period in fiscal 2019. In-transit product represented the majority of our inventory increase in the quarter as we pulled receipts forward to address continuing supply chain backlogs and support the anticipated earlier holiday demand. Entering the fourth quarter, our inventory is current with new, exciting product for the holidays. Looking ahead, we anticipate elevated inventory levels through the end of the fiscal year, as we position product to meet customer demand and invest in Pack and Hold inventory for the Rack.

Total SG&A as a percentage of net sales increased 260 basis points compared to the same period in fiscal 2019 as a result of continued macro-related fulfillment and labor cost pressures, partially offset by continued benefit from resetting the cost structure in 2020.

Now turning to our outlook for the remainder of the year. As you've heard today, we're excited about our plans for the fourth quarter, with a great selection of compelling products and experiences to serve holiday demand both in-store and online. Our outlook for the remainder of the year assumes that economic improvement and increasing mobility will continue to drive consumer spending.

Given third quarter performance in line with our expectations and plans for continued progress in the fourth quarter, we are reaffirming our guidance for fiscal 2021. We expect revenue growth of more than 35 percent versus fiscal 2020, and we are still projecting slight sequential topline improvement from Q3 to Q4.

We expect to deliver EBIT margin of approximately 3 to 3.5 percent for the full year.

I’d like to provide a bit of color on our fourth quarter forecast compared to 2019. For the fourth quarter, we are forecasting significant gross margin improvement versus the fourth quarter of 2019, reflecting the benefits of lower promotional activity and higher regular price sell-through this year. We expect that SG&A pressures primarily related to fulfillment and labor costs will continue in Q4, resulting in SG&A deleverage similar to what we experienced this quarter, after excluding an impairment charge that we recorded in the fourth quarter of 2019.

Turning now to capital allocation, we remain committed to our ongoing priorities, with our first priority being investment in the business. We’re planning capital expenditures at normalized levels of 3 to 4 percent, with an emphasis on supporting supply chain and technology capabilities.

Our second priority is reducing our leverage. We are committed to an investment grade credit rating and remain on track to decrease our leverage ratio to approximately 3 times by the end of this year and approximately 2.5 times by the end of 2022, through a combination of earnings improvement and debt reduction.

Our third priority is returning cash to shareholders, and we continue to expect to be in a position to do so by the end of the year.

As you’ve heard today, our third quarter results show some pockets of strength as well as several areas for improvement. We made progress toward our goals, with strong digital growth and improving trends in our Nordstrom banner stores, and remain on track to deliver our fiscal 2021 targets and the commitments we set forth at our investor event - delivering EBIT margins greater than 6 percent and annual operating cash flow greater than $1 billion. As Erik said earlier, we recognize that we need to deliver more, and we are acting with a sense of urgency. These medium-term targets are a step on the way to delivering greater profitability and cash flow as we grow share, optimize across platforms, and drive scale. We are confident in our path forward and excited about the future of our business.